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rculation survey . . . page 101

Folio:

A Publication of The Hanson Publishing Group, Inc.

DECEMBER 1989 THE MAGAZINE FOR MAGAZINE MANAGEMENT $6.50

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Just say no

It's an open secret that no editor is anxious to admit: Pressure from the ad sales department to alter, include or delete material is a reality. FOLIO:'s exclusive survey reveals the choices that editors really have when they're faced with this situation. **92**

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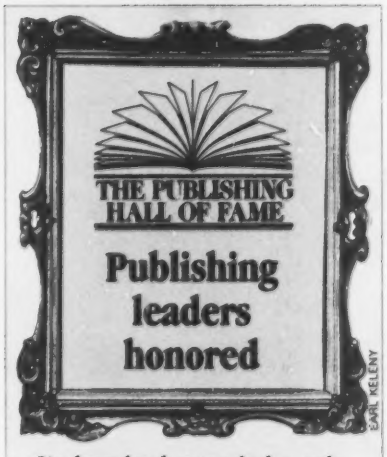

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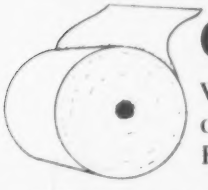

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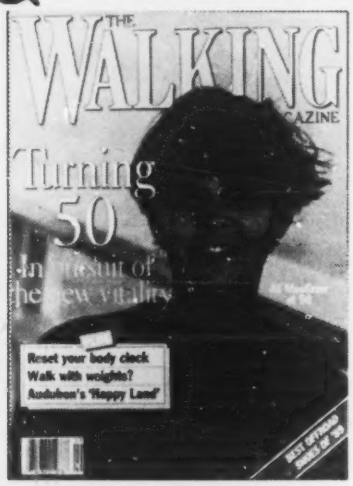

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Vol. 18 No. 12

Folio:

THE MAGAZINE FOR MAGAZINE MANAGEMENT

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claims, many organizations have violated the standard sweepstakes guidelines, leaving the Direct Marketing Association to bear the brunt of thousands of consumer complaints.

The committee has reinforced its disclosure of rules to comply with ethical business practices.

"These new guidelines are a reactive means to consumer complaints, as well as a proactive means for smaller companies setting up sweepstakes promotions," Christy contends.□

Production managers' challenges in the '90s

NEW YORK CITY—Selective binding is one of the best weapons magazines have against televison, according to John Romeo, director of manufacturing and production, *Forbes*, who spoke at a recent meeting of the Association of Publication Production Managers (APPM).

Although *Forbes* is not currently planning selective binding for its advertisers, "targeting the audience is the name of the game," Romeo said, noting that his title has been looking at the possibility of starting regional editions for several years.

Selective binding, desktop publishing and printing plant automation will redefine the production manager's job, agreed Mary Davis, vice president, magazine manufacturing and distribution, Time Warner. "We can't be scared by it. We have to lead the way and learn about it. It means retraining and retooling."

Don't ultra-specialize

"The rate of change is hard to keep up with," noted Bill Gallagher, APPM vice president. We have to be able to accept that change. And the change is coming faster." Panelists cited education and re-education as the tools production managers need to deal with change.

Irving Hirschbein of Conde Nast stressed the need for training, now and in coming years. "Take a night class, take seminars," Hirschbein urged. "If you allow yourself to become an ultra-specialist, you'll be stuck there. You cannot move ahead without an education. That is how we will control what is going to happen."□

Printing sales growth slows

Several years of healthy increases may be coming to an end

by Cary Peyton Rich

TEANECK, N.J.—Sales growth has slowed for commercial printers, and won't rebound until late 1990, according to a survey in the quarterly *Business Indicator Report* (*BIR*). Survey participants averaged sales growth of 7.4 percent for the first half of 1989, compared with 9.9 percent for the first part of 1988.

The report, published by the National Association of Printers and Lithographers (NAPL), also shows moderate operating cost inflation of 5.2 percent during the first six months of 1989, with real (inflation-adjusted) growth at 2.2 percent. In 1988, real growth was 4.2 percent. Paper prices showed the largest relative gain in printers' costs, rising 8.1 percent over the previous year's levels.

Pre-tax profits for the first six months of 1989 for firms surveyed averaged 4.8 percent, down 0.6 percent from 1988. Price competition and overcapacity were cited by printers as the two most important factors in performance over the six-month period.

Order backlog statistics, which flag conditions in the immediate future, indicate that the downward trend will continue to the end of 1989. On July 1, 1989, *BIR* participants averaged 14.1 days of orders booked, versus 15.0 days of backlog a year earlier. Moderate sales growth is expected for the rest of 1989, with printers expecting a rebound late next year.

NAPL's report is less optimistic than that issued by the Printing Industries of America (PIA), whose members indicated 8 percent sales growth at midyear, and predicted an 11 percent increase for 1990. Growth will vary significantly among states, PIA reports.

Although the printing and publishing industry continues to grow faster than other manufacturing industries, a slowdown in job growth and output is flagged for next year, according to Cahners Economics, a forecasting division of Cahners Publishing Company.

Although an 8.9 percent jump in output is expected by the end of the year, output will dwindle sharply to 2.6 percent in 1990, given the expected economic slowdown. Job growth in printing and publishing will rise an average 3 percent—49,000 jobs—each year for the next three years, says Cahners economist Debbie Selsky.

Printing and publishing jobs grew 3.6 percent in 1988, and 3.4 percent through July 1989. This compares to 2.5 percent overall manufacturing employment growth in 1988, and 1.1 percent growth through the first seven months of this year.

Printing and publishing output also rose a healthy 9.4 percent through July 1989, thanks largely to a surge in productivity of 7.5 percent. Moreover, output averaged 8.5 percent annual growth during the past five years—more than twice the rate for overall manufacturing output growth.□

Publication printing increases hover at 6%

Value of shipments

	1989	1990	% change
Newspapers	$35,800	$38,055	+6.2%
Periodicals	19,540	20,712	+5.9
Books	13,900	14,776	+6.3
Misc. publishing	6,710	7,113	+6.0
Greeting cards	3,550	3,728	+5.0
Total printing	$79,500	$84,384	+6.1

Source: PIA

***Growth in periodicals printing**, which includes magazines, lagged slightly behind that in other print categories.*

Ad vs. edit:

What choices do editors really have when they are pressured by advertising? FOLIO:'s exclusive survey reveals what editors think is appropriate—and where they draw the line

BY JENNIFER HOWLAND

Advertising pressure on editors is the skeleton in the closet of the magazine publishing industry: Everyone knows it's there, but no one wants to talk about it.

Alternatively, publishers and editors will talk about the horror stories they've heard occur at *other* magazines—but on the home front? Never.

Then, occasionally, somebody is brave enough to admit such a thing happens. "There isn't one editor who can say he or she has never made a decision in which the advertising effects weren't a factor," says Daniel Okrent, former editor, *New England Monthly*. Okrent, who gave a speech several years ago at a City and Regional Magazine Association conference, asked the group of editors he was addressing whether any had ever put something in their magazines because it would be helpful to an advertiser. Not a one raised a hand. "This is a room full of liars," he declared. "Every editor says publicly he or she ignores such pressure," Okrent claims, "but they all admit to it in private."

Indeed, several editors report that the pressure can be pretty intense. The message to keep advertisers happy is constant, says one source. "I simply go along with the system because it's the only way I know to hold my job."

Here's another editor's view on the battle between editorial and ad sales: "It eats away at my time, depleting my energy as an editor. I'm considered inflexible, uncooperative, but they haven't fired me. In fact, I've outlasted all of my four predecessors."

One of the problems in even discussing the issue is that there are a lot of different definitions of advertising pressure out there. To one editor, going on a sales call is anathema; to another, it makes perfect business sense. Other editors feel pressured by advertiser requests for unusual sizes and placements of ads—to which a business editor retorts, "I wish I'd had that kind of pressure," instead of more onerous requests for favorable stories on advertisers.

Take Okrent's situation. "If you looked closely at my editorial decisions over the years, you'd find decisions I

Jennifer Howland is a freelance writer specializing in media coverage. She was formerly senior editor of FOLIO.

The pressure mounts

made where an outcome that favored advertising probably weighed in. Everyone on this staff wants the magazine to be profitable."

But at the same time, he maintains a standard of editorial integrity. "I don't sell editorial space. The fact that someone is advertising with us doesn't induce us to run a story on him." Okrent has published stories that were very unpopular with advertisers. One, that ran in April 1988 on Nantucket real estate "exposed in an amusing, ironic fashion some of the unpleasant things that were occurring" in the community after an island-bound winter, he relates. Great objections were raised by Nantucket advertisers who had bought into the issue, and "even though our ad pulled better for them than the same one did in two national magazines, we lost a number of advertisers," he admits.

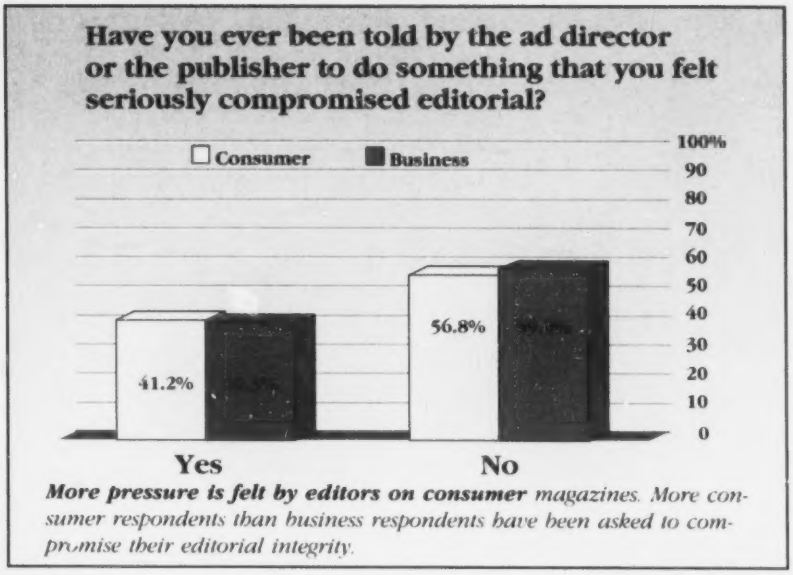
PHOTOGRAPHS PROPERTY OF CULVER PICTURES

With a changing business climate, one which includes a tighter market for ads and more corporate ownership of magazines, some degree of market-mindedness is almost a requirement of editors today. "People are looking for business-sensitive editors," declares Howard Rauch, formerly vice president and editorial director of Gralla Publications, now president of Editorial Solutions, an editorial consulting firm.

"Budgets tightened up after the stock market crash," Rauch says, "and this made sales tougher to come by. A number of the markets served by trade publishers are mature; growth has plateaued and some fields are overpopulated by magazines. It's made for a much more competitive marketplace. That means that ad sales people and editors have to work as a team. What is being termed pressure has been brought about by the business climate."

More ad favors?

The trade publishing field is commonly depicted as expecting more advertising favors from editors than the consumer market. One publisher has been known to define trade publishing as "trading your advertising for my editorial." However, for the most part, that blatant a selling of editorial space does not seem to go on, except in the cases of particularly weak or young magazines. What can happen, says Rauch, is that an editor can be creative about working in a bottom-line-oriented venture and still maintain editorial standards of integrity. "Writing off advertisers totally is a mistake" on the part of editors, he states. "There's nothing wrong in writing about an advertiser if the advertiser has done something newsworthy. Of course, deliberate editorial give-aways—writing about advertisers just to get ads—is something legitimate magazines don't do. But it's something editors must contend with



***More pressure is felt by editors on consumer** magazines. More consumer respondents than business respondents have been asked to compromise their editorial integrity.*

because advertisers are asking for it."

One editor on a business magazine notes: "In our industry, the advertisers are often the experts in the field. They had a personal interest that evolved into business." Why ignore their expertise?

Another ad sales director believes that the ad sales staff is often "more in the trenches" than the editorial personnel, and have a better feel for what is going on in the industry. "I have personally called our editor on occasion to make a suggestion on a possible scoop. It is understood that this is a courtesy call, nothing more."

Really top editors don't get requests to run editorial that favors advertising, maintain a couple of consumer magazine editors. "There continues to be ad pressure on mediocre editors," says John Mack Carter, editor of *Good Housekeeping*. "But there's very little pressure on successful editors."

Editors shouldn't plan material to interest advertisers at good magazines, says Myrna Blyth, editor of *Ladies' Home Journal*, "and that's not what a good publisher wants from an editor. Advertisers don't demand that of the admired editor. They trust his or her ability to reach the audience effectively."

Savvy advertisers

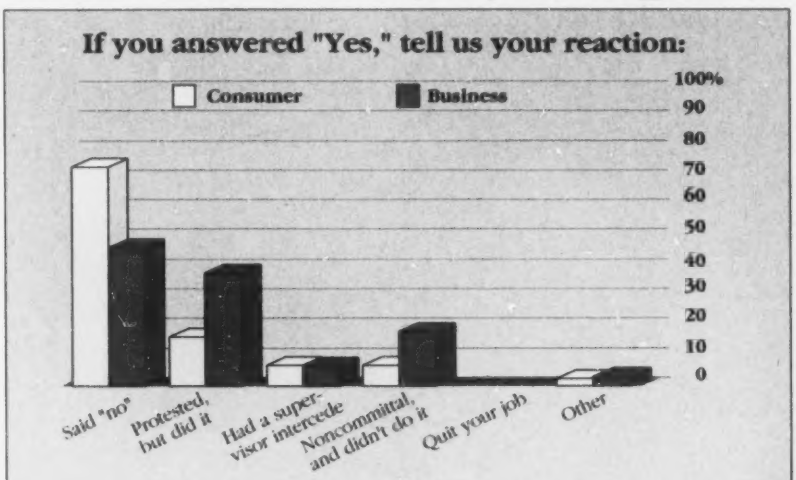
According to other publishers, however, the really savvy advertisers never ask for such favors, because they know it dilutes the value of the vehicle that carries their advertising. "If you sell your editorial space, then the best editorial goes to the highest bidder and readers can smell that a mile away," asserts Bill Laberis, editor in chief of *Computer World*. "The more savvy salespeople take time to understand the editorial product—and the more they understand it, the less they'll be inclined to ask for profiles of advertisers."

"Sure, there are a lot more demands from advertisers for various things," says Sandy Beldon, publisher of *Prevention*. "They want positioning, rates, merchandising, value added. But knowledgeable advertisers don't ask for special editorial treatment. If the reader thinks the magazine is there to service advertisers first, he'll lose interest and not read it. Only unsophisticated advertisers think this is the road to success."

To hear from some editors, there are plenty of these "unsophisticated" types out there. At *Computer World*, a "significant advertiser" was outraged because he had not been included in a suppliers' round-up story, which had been written by a freelance writer, Laberis relates. As he has done in the past when similar situations arose, Laberis ran a story search through the Nexus database to find out what coverage this advertiser had gotten in the magazine in the past. Although it was 20 percent more coverage than average, the advertiser was not placated and continued to threaten to pull his advertising unless the magazine did a story on the company. "The advertiser claims other publications are in his offices looking to write stories about him."

Bolder advertisers

One thing editors and publishers agree on is that advertisers have gotten bolder in their requests for favors. "The pressure on the ad sales side is definitely increasing," says Pierce Hollingsworth, Jr., editor in chief and associate publisher of *Food Business*, a new publication of Putman Publishing. "Advertisers are more bold and insistent about what they expect. They ask for editorial support," he says. Although salespeople are permitted to suggest ideas, the



***Editors on business magazines find it harder to say "no"** when put under pressure. Less than half said "no" up front to a request that compromised their editorial integrity, while almost 75 percent of the editors on consumer titles said they would "just say no" up front. Almost 40 percent of the business magazine respondents would protest, but do what the ad director or publisher requested. No one said they quit their job because of an offensive request. Most who chose the "other" response said they'd try to negotiate an agreement to satisfy both sides.*

*Percentages add up to more than 100 because of multiple answers.

editors "are under no pressure to respond," Hollingsworth claims. "We're a newsmagazine and we have to have the highest readership scores . . . we can't savage the editorial for advertising," he adds.

"Advertisers are getting more sophisticated and brazen," Okrent agrees. "I hear more from them than I used to: 'If we don't get this editorial we won't run.' You see it in sales reports more. They feel less constrained about asking," he says.

"There is certainly more exhorting of editorial to come up with commercial hooks for stories," says Rauch. "And that's not a crime—editorial can develop material of value that ties to hooks. The problem is that too many salespeople are not selling the magazine as a concept any more. They're so driven by ad pressure that they dance to the advertisers' tune too much and then ultimately the advertiser loses too. When you start dominating a trade magazine with hooks, you lose the chance to provide strong market and trend information—which is the forte of a trade publication. Some publishers have buckled in this direction," Rauch claims.

It's certainly a far cry from the days, not that long ago, when editors and ad sales people were not supposed even to talk. "I started out working at *The New Yorker*," recalls Elizabeth Crow, president and editorial director of Gruner + Jahr, U.S.A. "I remember seeing an ad sales person on the editorial

floor and hearing someone say, 'What are you doing here?' There was a thought that any contact between advertising and editorial would result in hopeless corruption. That is now considered naive." Such a view was common 15 years ago and was given lip service long beyond that time, she says. Editors now know they "don't exist in a vacuum, that 52 out of every 100 pages in their magazines is advertising, and that ad revenue is a more profitable source of revenue than circulation. Even though editors shouldn't ignore advertisers, there's a big difference between that and saying advertising should dictate what editorial can cover," she asserts.

At some magazines, the church and state separation is still obeyed. Carter says an editor "has no business knowing what a rate card is. I'd expect an editor to say 'What is that?' if a rate card were pulled out." Although pressure is exerted, it should be absorbed by the publisher and not passed along to editors, Carter asserts.

"Advertisers are always asking for 'added value'—which used to mean hang tags, or merchandising support, but now means a more insidious form of support, such as editorial coverage," Carter says. There will always be the "elevator conference" where salespeople mention in passing to an editor what kind of coverage would be helpful, but such requests can't be termed pressure, Carter says. If the editor accedes to the request, that's pressure.

And the pressure falls more on some types and sizes of magazines than others, he adds. "Major magazines with major advertisers get less pressure than small magazines with smaller page rates, circulations and advertisers. The big guys think big. General Foods doesn't ask for stories about Jell-O."

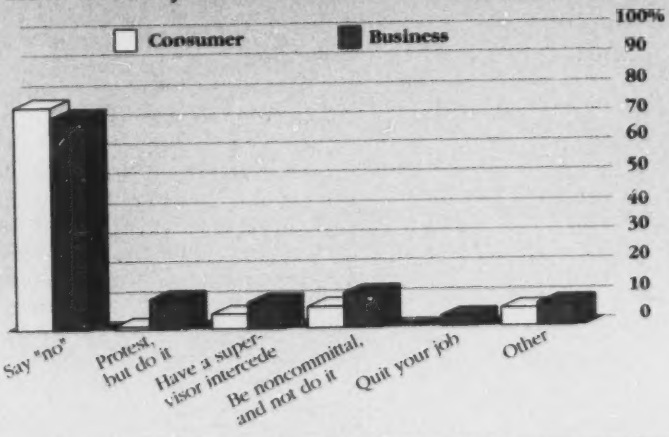
An editor at The New York Times Magazine Group deflects pressure by referring to the "mother ship." "This always nicely ends an argument if I'm meeting any resistance."

Fashion magazines have been known to have a "cozy" relationship with advertisers, for instance. "In the women's service business, you'd like to say there's no relationship between advertising and editorial, but look at the fashion magazines," comments Ellen Levine, editor of *Woman's Day*. "See how long someone advertises there without being mentioned in the editorial."

A recent article in the *Columbia Journalism Review* took *Vanity Fair* to task for "glowingly" featuring "fashion designers and coveted advertisers."

Carter cites the newsmagazines as not suffering this kind of pressure, but even they have come under criticism for fawning over advertisers. *Newsweek* ran a cover story April 3 on Disney World, called "Mickey's New Magic." This was followed by substantial advertising in subsequent issues, most notably an eight-page supplement in the April 24

If your present ad director were to ask you to do something that compromised editorial integrity, how would you react?



***The editors on business magazines seem to have more courage** when talking about a hypothetical situation. Here their "no" responses are almost identical to consumer magazine editors' responses. Notice that some editors say they would quit their jobs, but none actually did so in past situations.*

*Percentages add up to more than 100 because of multiple answers.

issue. A *Newsweek* spokesperson says "*Newsweek* rigorously observes the separation between church and state, between the business and editorial sides. Disney has been a big advertiser for years and booked that supplement six months before the cover story ran."

Nonetheless, the perceived favoritism was covered in several publications, including *The New Republic*. "This stuff is everywhere," Okrent concludes.

Some degree of tension between the business and editorial sides is inevitable, of course. Journalists are trained to tell the best stories and ad sales people to meet their sales quotas. Says Carter, "It's an age-old dichotomy of interests" between serving the interest of the advertiser versus serving the interest of the reader. And if you direct editorial attention to worrying about the wrong side of the ledger, you'll weaken the magazine."

Dealing with pressure

"The tension between editorial and advertising is healthy," comments Laberis.

"Some people get a suggestion or a probe confused with pressure," adds Mark Bricklin, editor of *Prevention* and group vice president of Rodale Press. "Some salesmen will try anything, but the smart editor doesn't take outrageous requests seriously. Real pressure is something else entirely: when the editor's boss asks the editor to write something to get ads, with the threat of being fired if they refuse. I don t think that happens too much, except with especially young or frail publications," he says.

So how do magazine editors and

publishers resolve the conflicts that arise from this inevitable tension? It helps to have publishing management set some guidelines, both editors and publishers say.

"You can't have the right hand not knowing what the left hand is doing," says Crow. "Ad sales can't do end runs around editorial. If editors want to write a story about the bad effects of drinking diet soda, it's got to be up to management to decide whether to accept the advertising of a diet soda manufacturer. You embarrass the advertiser if you let them advertise in an issue with an investigative story that trashes their product."

Relationships between ad sales and their advertising contacts have been built up over years, adds Bricklin, and there's no need to create unnecessary ill will over such a situation.

"If you have well-developed guidelines about what can and can't be done and everyone understands this, then there's no pressure," comments Ho lingsworth. "Pressure only comes whe you're asked to do things that you don expect."

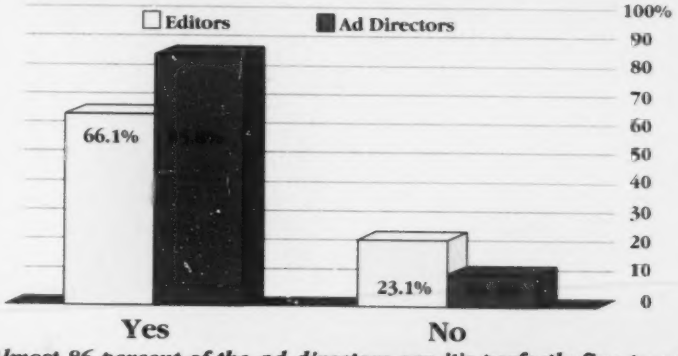
"There can be a very good relatio ship between advertising and editoria After all, they're talking to the same pe ple," Crow continues. "But there has t be a standard, so that an advertiser wh is oversensitive to the mention of com petitors or criticism of his field gets se straight about what a good magazine i to its readers. People know when th truth is not well served, and if the read ers lose trust in the magazine, that's no in the advertiser's best interest."

One way for editors to be sensitiv to advertising's needs is to "say exactl what they mean" when writing on a ad-sensitive topic. She cites an articl about baby shoes that ran several year ago in *Parents*. She realized while read ing the article, which was written by pediatrician, that some statement about recommending light sneaker over stiff shoes could rub shoe adver tisers the wrong way. So she called th writer and asked her to say exactly wha she meant: that "kids don't need brace on their feet." It is a situation tha "doesn't come up often," but editoria was changed based on what made sens and also to not offend advertisers, Crow explains.

At *Parents*, she continues, it is also important that the standards fo products that are advertised are up t editorial standards. "The advertising must stand for as much as the editori al," she states. So, in addition to refus ing to carry liquor and cigarette advertising, other ads have been refused on her recommendation. Certain chains of day care providers, for example, were turned down because they operated in states with minimal standards. The mag azine also stopped taking ads for a "Teach Baby to Read" package because it conflicted with advice given to parents not to expect so much of their infants. "It corrupts the relationship between the editor and the readers to have advertising that undermines or contradicts the editorial," Crow insists. There has been no problem in such cases with the ad sales department, as long as editorial can document the problems, Crow adds.

Another area of compromise comes in letting the advertising department know in advance what stories will be running. At *Metropolitan Home*, editors preview ad sales on issues after they

Is it appropriate for an ad director to ask an editor to have lunch with an advertiser?



Almost 86 percent of the ad directors say it's perfectly fine to ask *the editor to go to lunch with an advertiser. Only 66.1 percent of the editors felt okay about this.*

*Note that percentages for this and the following questions do not add up to 100 because some respondents were uns :re, or did not answer the question.

are published, says publisher Steve Burzon. However, an editorial calendar prepared months in advance lets the ad staff know what general themes and topics in upcoming issues will be. "We may say the April '90 issue will be on 'Elements of Style,' but we won't talk about the types of stories to be written." Similarly, Burzon might discuss with the magazine's editor what month a particular story is running. "I might say do it in November because of some important marketing events taking place then. But we're not saying, please do a children's wear story so I can sell some children's advertising."

This is a far cry from the old days when the editor would say "This is what I'm writing about; sell it Charley," and the sale would take place over cocktails under the clock at the Biltmore, Burzon continues. "Editors today have to be more marketing savvy, but that doesn't mean the magazine's words and pictures are for sale," he states.

"A great story doesn't sell the magazine anymore," agrees Rauch.

"I give the ad sales staff a rundown of our future editorial plans, so if they want to interest advertisers in a certain project, they can," says Ed Kosner, editor and publisher of *New York Magazine*. "But we don't take suggestions from advertisers about what to run."

At one magazine, the editorial calendar became a sore point between the publisher and editor. "Every publisher has to insist on having the editorial product planned far enough ahead so sales can use it," says Jay Crum, publisher of *Ultra* and former publisher of *American Way*, where the issue arose. "The editors there were not willing to produce an editorial calendar accurate enough so that, for instance, we could know when an article on skiing would run. An editorial calendar not planned 12 months out handicaps advertising. Now, that's far from promising that certain advertisers would be mentioned in the story," he claims. "If we were doing a story on IBM, we wouldn't send our ad people to sell them an adjacency—that would lose credibility with the reader."

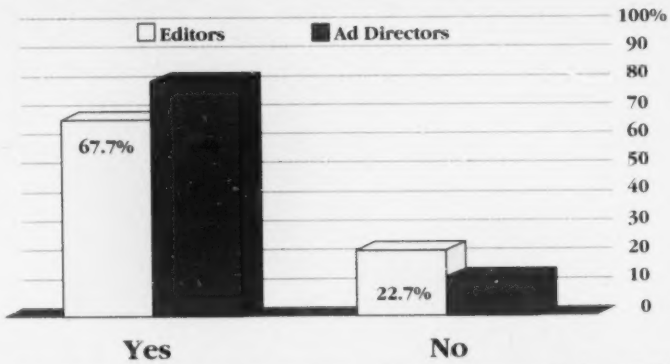
There were such disagreements between publishing management and editors at *American Way* that three editors left over the course of the two and a half years Crum was there. He himself has filed a wrongful discharge suit against the company, and as a consequence, editors there could not discuss his comments about the magazine.

Finally, the chief editor can act as a buffer for advertising requests. "Any request to speak to an editor on staff has to go through me," says Levine. "Once they know they have to call me first the number of calls drops," she adds. And any information on future editorial plans also comes through her.

At *Metropolitan Home*, when an advertiser suggests to Burzon that he has a great story idea, Burzon tells him to send it to the editor in a letter.

"I filter all calls for the staff," agrees Laberis. "I trust the writers to decide the bellwether companies to call and any requests for special coverage for specific advertisers stops with me. I don't pass them on." Laberis says he's worked out a "good system" with the sales department, which includes his calling the heads of companies who may have complaints about their coverage.

Is it acceptable for an ad director to deliver personally a press release from the advertiser to the editor?



More of the editors on consumer titles (69.6 percent) found this acceptable. *(Note, the break-out of consumer/business responses is not shown here.) The percentage responses were almost identical for ad directors on business and consumer titles.*

What's too much?

Laberis will discuss a company's coverage with execs from that company, but draws the line at going on sales calls. "My personal feeling is that's the worst thing an editor can do," he says.

Rauch, on the other hand, says editors should go to lunch with advertisers. "It's stupendous and there should be more of it," he claims, noting it gives editors a chance to present a side of the magazine that advertising perhaps cannot—authoritativeness in its field, for example.

All the editors interviewed said that any contact between advertising and editorial should be limited to the top editors—that junior editors were too impressionable to handle such meetings.

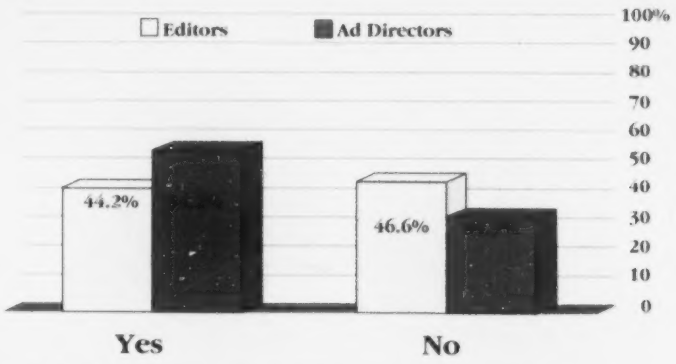
Editors should go to an advertiser with a salesperson only to explain the

Methodology

In June 1989 we mailed 1,000 copies of our survey to editors and advertising directors on business and consumer magazines. We asked them what they feel are appropriate requests for the advertising department to make of the editors. The mailing list was divided so that 250 surveys were sent to editors on consumer titles, and 250 to editors on business magazines. An additional 250 surveys were mailed to ad directors on consumer magazines, and 250 to ad directors on business titles. The mailing list was compiled from a random sample of names off our database. Research USA, Inc., Chicago, tabulated the results.

Two hundred fifty-one editors responded to the mailing, yielding a response rate of 52.3 percent. Another 238 advertising directors responded, creating a 48.9 percent response rate for that group. Overall, the survey achieved a 50.6 percent response rate.

Is it appropriate for the ad director to ask the editor to consider using advertisers as sources for stories?



More ad directors than editors are comfortable with this, *but the gap was not as wide on this question. More consumer magazine editors (45.1 percent) said they were comfortable with this request.*

magazine's relationship with its readers, opines Carter. It can't be to help sell advertising.

Okrent goes on sales calls about every two to three months, and says he "can't pretend I'm not being used as a sales tool. I represent the magazine as much as if I'm giving a speech to a civic organization."

David Jordan, editor in chief of *Better Homes and Gardens*, will go with the publisher to make a general presentation to an advertiser and talk about the general positioning of the magazine. Departmental editors, such as the building editors, will visit with advertisers, but this is more to "learn about trends and to exchange information, while advertisers find out what readers are interested in. We don't make any promises to show their product." The magazine also won't tell an advertiser in advance what story will run when. "If we have an article on low cholesterol food and a food advertiser with a low cholesterol product wants to advertise, they'll only be told they can be put next to food editorial. We won't tell them when the cholesterol article is running."

Jordan notes the pressure he gets is secondary and he'll never hear a direct request to write something about an advertiser to salvage a sale. "I don't get that question," he says, "because they know the answer will be to fold that advertising four ways and tuck it where the sun don't shine."

Where serious difficulties do arise is in the coverage of advertisers versus nonadvertisers. "That's the second most frequently heard complaint," says Laberis. "An advertiser will say 'You did a round-up of the industry and you didn't include us.' "

"There are always pressures when you're doing a round-up to include as many advertisers as possible," says Rauch, "but it can get out of hand. Suppose you've got three pages allotted to a story on clothing trends and there are 49 companies that advertise. It would be a mess to include them all." Rauch recommends that editors keep logs of who was called and who didn't answer and why, to show ad sales that the effort was made. He also says ad sales can categorize the advertisers for editors to let them know which ones are more important to reach than others. He says editors should know who their advertisers are, and that in today's business climate they can't refuse to cover advertisers. "There will be five other magazines who will try to include all their advertisers—and if you don't, it will make it very hard for your salespeople to sell the magazine."

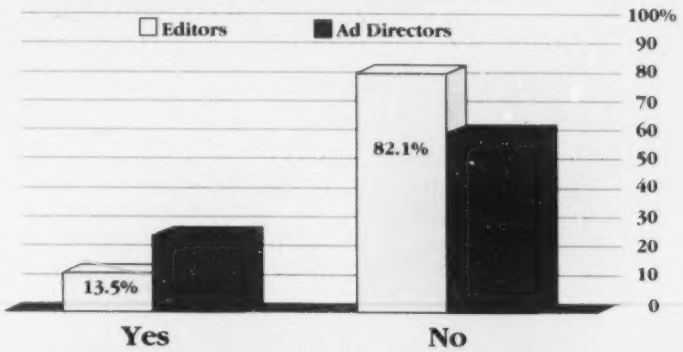
Although "we try to resist pressure to include advertisers over nonadvertisers, we don't bend over backwards to avoid advertisers," Okrent says. "If we have a piece running on kit houses and were running a list of manufacturers with phone numbers, both advertisers and nonadvertisers would be there. That's a service to the reader."

Bricklin takes another approach. "It's perfectly natural for the salespeople to want to know if an advertiser will be included in a round-up type story. My answer to them is 'I can't tell you.' Then at least they can tell their client they tried to find out and the editor couldn't tell them."

Handling requests

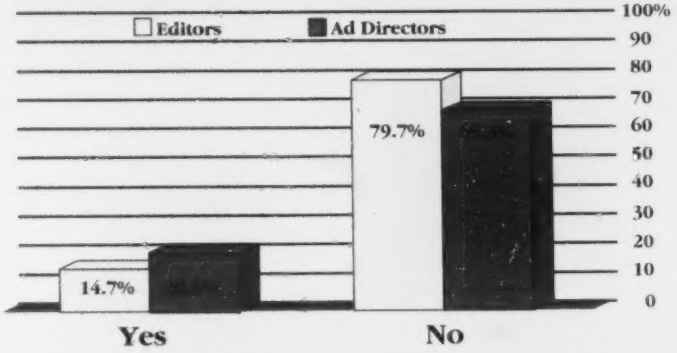
Some ad sales directors tell advertisers to take their requests directly to the editor. Others staunchly defend the editor's decision. "If I have an advertiser who insists on getting publicity before running, I tell him not to advertise. I explain that any and all press releases are given consideration by the editor and I do not make editorial demands on be-

Do you think it is acceptable for the ad director to ask the editor to give advertisers preference over nonadvertisers in stories?



Business and consumer magazine editors were in almost total agreement *on this point—but the ad directors were not. While 31.5 percent of the ad directors on consumer magazines thought this was an appropriate request, only 21.1 percent of the ad directors on business magazines agreed, making for an average of 26.5 percent.*

Is it appropriate for the ad director to ask the editor to write a story about an advertiser?



Neither editors nor ad directors felt that easy with this idea. *But more ad directors on consumer magazines were comfortable with it (24.2 percent), compared to only 16.7 percent of the ad directors on business magazines who said "yes" to this question. Overall, almost 21 percent of ad directors felt okay about this request.*

half of advertisers. If I did, his customers would recognize that the publication is self-serving and his ads would be ineffective."

For some editors, special placement and position requests are getting out of hand.

"We've declined some free-form ads," says Carter, but also have accepted advertising that was not aesthetically pleasing, as long as it doesn't handicap the reader."

"I outright refused a request for a horizontal half spread to run through the middle of two pages," says Jordan. "The advertiser wanted recipes run above and below the ad, and I couldn't do anything with the space left to me. I don't consider that I won, since we lost about $100,000 worth of business, but at least I feel empowered to say no every once in a while."

What about advertorials?

A more serious problem, in some editors' view, are ads, including advertorials, that try to mimic editorial style. "There's an intense visual sophistication among advertisers," says Dorothy Kalins, editor of *Metropolitan Home*. "The Gap can buy six consecutive pages in the magazine and spend $50,000 per page on creative costs alone. That compares with our spending allowance of $2,000 per page. What they're buying is a piece of real estate in the magazine, and they make it look fabulous. It's a very effective print ad, but it looks better than our pages. Our only response is to keep on making good magazines."

Editors must retain the final say over advertorials, Kalins feels, to make sure "they don't look like editorial, and that the physical volume, layout and language is very different."

Labeling the ads clearly as "advertisement" is essential, adds Beldon, who notes there are more pressures for advertorials now than in the past.

It's also important, Burzon adds, to separate ads from the editorial they're mimicking. "Henredon and Drexel Heritage photograph their ads to look like a page out of *Metropolitan Home*, with an unmade bed, for example. We would be sure to separate them from a story we might be running on bedrooms," he says. "We dont want to give even the appearance of collusion."

One advertiser thinks readers are too smart to be taken in by such juxtapositions. "Putting a skin care ad next to a story about skin care shouldn't compromise an editor's integrity," says Raulee Marcus, senior vice president, marketing, research and development for Neutrogena. "Readers won't think collusion when they see that because they trust the magazine not to prostitute itself. We don't consciously try to blur the line between our ads and the edit, although some of our ads are very copy heavy because of all the information we're trying to convey. We state at the bottom of each ad "Thank you for reading this ad," she says.

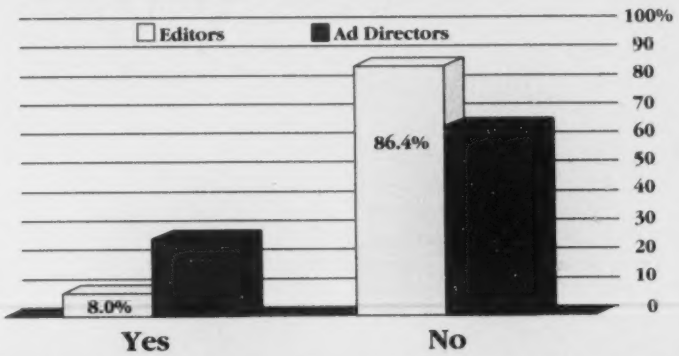
The advertising should be used to "enhance the read and look of the magazine," Marcus asserts, and the better the 'fit' between advertising and editorial, the better the magazine. For instance, she notes, even though *Connoisseur* and *Atlantic Monthly* readers may buy a lot of dog food, dog food ads would be incompatible with how the magazine is perceived. "A perfume ad, on the other hand, would be an enhancement," she explains.

More pressure now?

There is disagreement about the sources of advertising pressure on editors today, and whether it constitutes an increase from the past.

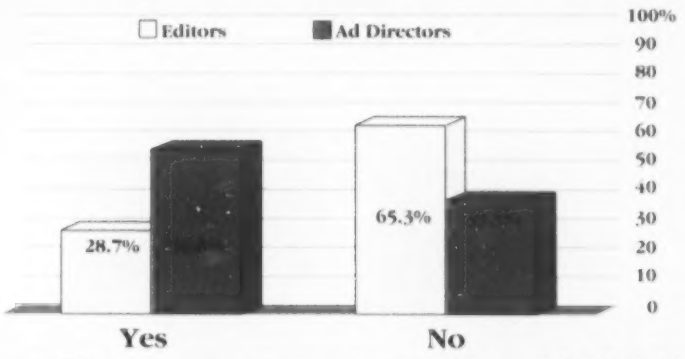
"Advertisers are groomed to holler about position and bring pressure to bear," says John Brady, a partner in Bra-

Is it acceptable for the ad director to ask the editor to avoid writing anything negative about advertisers?



There is a wide discrepancy here. *Certainly more ad directors feel all right about this request, but neither group is overwhelmingly comfortable. More ad directors on consumer magazines (33.1 percent) said "yes" to this question; only 20.2 percent of the ad directors on business magazines said "yes" to this question.*

Is it all right for an ad director to ask to see any story that mentions an advertiser?



More editors on consumer magazines (33.3 percent) felt that this was acceptable. *Only 25.5 percent of the business magazine editors said "yes" to this question, making for a 28.7 percent overall response. A large number of ad directors on consumer magazines (67.8 percent) felt that this was appropriate to ask of editors. Only 44.7 percent of the ad directors on business magazines felt the same.*

dy & Paul Communications. "Years ago there were unwritten rules in magazine journalism that you couldn't write articles about cancer because of the fear of offending the cigarette manufacturers. *Reader's Digest* broke ground some 25 years ago with some cancer stories, but for a long time magazines promoted cigarettes. I don't know if the church/state separation was ever really the case, or whether there were always rules of war to keep editorial from stepping on advertising," he says.

One reason that advertisers may feel more freedom now to ask for editorial favors is that more publishers have come up the advertising side of magazines, Brady adds. "I would say most publishers today have never edited a magazine." Consequently, advertisers may now feel less inhibited about making their requests to ad-sensitive publishers.

At the same time, new editors coming up through the ranks may be less resistant to this kind of pressure, he suggests. "The old hard-line resistance is beginning to fade. Publishers are coming up with highly creative ways of doing soft editorial and it takes a very strong editor to fight it," Brady notes. "Publishers now choose covers and approve copy, which used to be editorial functions solely," Brady says. "Once publishers get a little of this editorial involvement it's like morphine—they can't stop. It's power tripping." Besides, this is the age of public relations, Brady continues, and editors are being trained in that reality in journalism schools.

"New editors coming out of journalism schools may have a lessening of that fire in the belly" for the good story, Carter adds, and "may have more of a desire for personal success and less for the common good." It helps if editors report to a president, rather than to an ad-responsible publisher, Carter adds. "Then they're better able to deflect the pressure."

"Once publishers get a little of this editorial involvement it's like morphine—they can't stop. It's power tripping."

It isn't really a matter of an escalating trend to more pressure, comments Laberis, but that pressure changes with fluctuations in the ad sales climate. "When business is good and sales are making their quotas, you feel it less," he remarks.

"I don't know if it's because of a tighter sales climate," Okrent muses. "It just may be that the world has changed. Why do fans chant obscenities from the upper decks of Yankee Stadium?"

"The profit motive is a little more blatant today," adds Crum. "A lot of publications were started by individuals with a dream, but now they're owned by corporations with different dreams—who have to answer to stockholders and have budgets to meet. The responsibility to create profitable bottom lines puts more pressure on editors than there used to be. But that's not pressure to make more editorial mentions of advertisers; it's to produce an environment in which the advertising works well."

Then there's the question of whether such collaboration is pressure or not. Myrna Blyth, editor of *Ladies' Home Journal*, recalls a publisher suggesting an idea to an editor which turned into a fabulous theme. "Now is that creative stimulation or is it pressure?" she asks. "We can have more collaboration, but it can be very creative. There's no simple answer."

Perhaps Elizabeth Crow sums it up best: "Editors and ad people should know as much as possible about each others' business, but they should not attempt to do each others' jobs."□

FOLIO:'s 1989
Circulation salary survey

Which pays circulation people better, consumer or business magazines? What part do incentives play? And more

BY ROBERT M. STEED

Top circulation professionals sometimes seem to have split personalities: high levels of imagination and creativity for preparing promotions, and strong analytical and statistical skills for massaging the numbers. Or, as one circulation director put it in commenting on what he/she likes best in the job:

"When the numbers become boring, you can have fun with the promotions (creative). When the creative gets too 'fluffy,' the numbers give you a sense of direction and purpose."

For people who combine these two apparently incompatible skills, the rewards can be substantial--especially if they work on large consumer publications. This survey, FOLIO:'s fifth annual look at the pay of circulation professionals, provides the complete rundown on salary and total compensation for both top circulation executives (directors) and the second level of circulation management (managers), broken down by key factors affecting compensation, such as the demographics of the respondents and the size and nature of their publications.

PHOTOGRAPHS BY PAUL MCCURK

Some overall conclusions:

- Average salary and total compensation for directors and managers on consumer magazines are both substantially higher than for those on business publications. But that is almost entirely due to the high compensation paid on large circulation consumer magazines.
- Women dominate the profession in numbers, representing 60 percent of the directors and 80 percent of the managers. But they lag substantially in pay, earning salaries averaging only 75 percent of men's.
- The Northeast region leads the rest of the nation in compensation by a wide margin. And almost half the circulation directors work there.
- Incentives are a major factor in the pay of many directors: over half the directors receive a bonus, while only a third of managers do so.

Circulation directors

The overall average salary of circulation directors is $43,834. But those on consumer magazines average $49,097, almost $11,000 (28 percent) more than their counterparts on business publications. Further, the total compensation of directors who receive a bonus is $68,820 on consumer magazines, over 50 percent more than the $44,571 earned by those on business magazines.

Analysis of the data by circulation size explains most of these differences. There is a steady rise in salary from $28,648 at the smallest circulation mag-

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Robert M. Steed is managing director of Performance Plus . . . Inc., a New York-based consulting firm that uses improvisational dramatizations to provide corporate clients with a broad range of programs for seminars, conferences, training courses and communications efforts. Before co-founding Performance Plus . . . , Steed was vice president and director of personnel of Time Inc.

azines to $48,631 at those with circulations between 100,000 and 500,000. Salaries then jump to $76,894 (and total compensation passes $100,000) at magazines with circulations of 500,000 or more.

But in every size category except the largest, salaries of circulation directors on business magazines are higher than for their consumer counterparts. Thus it is clear that salaries and bonuses on large circulation consumer magazines are the main reason the overall consumer averages are so much higher. This example underscores the importance of using the data in this survey carefully. Often the most useful data are in the breakdowns, not the overall averages.

Along with circulation size, periodicity is a clear indicator of pay, with directors on weeklies and biweeklies earning $5,000 more than directors on monthlies. It pays to work on a paid circulation magazine, with those who do making salaries $6,000 (16 percent) more than those on nonpaid publications; and their total compensation is $15,000 (33 percent) higher.

Size of the circulation department also directly correlates with pay. Directors responsible for a staff of more than 10 earn 2.5 times as much salary as those who supervise no one, and pay rises steadily in between.

Almost 60 percent of the directors do double duty (or more), and they are rewarded for it. Directors responsible for more than one magazine earn almost $10,000 (22 percent) more in salary than those who work on only one publication.

The Northeast is clearly the place to be for a circulation director. Salaries there average $50,072—more than $13,000 higher than in the Central region, which is the lowest paid. And total compensation in the Northeast is $65,866, over $25,000 more than in the South Atlantic, which takes over the cellar.

Despite the fact that 60 percent of the directors responding to this survey are female, women trail men sharply in pay, earning only about 75 percent of what men do in both salary and total compensation. Further, 57 percent of the men receive a bonus, versus only 43 percent of the female directors.

Salary correlates directly with experience—almost. It increases by more than two times, from $28,976 for those with less than four years' experience, to $61,457 for those with between 11 and 20 years. Then, surprisingly, it drops to $52,133 for those in the business more than 20 years. This same pattern is repeated when the data are broken down into age cohorts.

As has been indicated, bonuses are a significant factor in the overall pay of circulation directors. Bonus-paying companies pay higher salaries; the salaries of directors eligible for a bonus average over $10,000 (21 percent) more than salaries of those who are not eligible. And the total compensation of those who receive a bonus averages $55,909, over $17,500 (46 percent) more than those who don't.

Circulation managers

Earnings of circulation managers are sharply lower than earnings of directors. Their average salary of $27,481 is only 62 percent of the average for directors; and the average total compensation of those who receive a bonus ($31,355) is 56 percent of the average for their more senior colleagues. And, while the compensation patterns evident among directors are generally

Using the numbers

It is important to use the salary information in this survey cautiously. In many instances there were not enough respondents in certain subcategories to allow valid conclusions to be reached, because even one exceptionally high or low salary could affect the average dramatically. For this reason, FOLIO: is publishing the number of respondents in each cell (shown in parentheses).

In addition, not all respondents answered all questions. Therefore, the total number of respondents in the "average" column of a chart is not necessarily the sum of the subcategories.

The survey also examines only one variable at a time. For example, circulation directors in the Northeast earn higher salaries than their peers in other regions. But are those in the Northeast who participated in the survey working on larger magazines? Are they the ones with the most experience? The survey methodology does not enable these multiple variables to be analyzed.

One should also be cautious about comparing the data in this survey with data from prior years. Because the sample is drawn randomly from mastheads each year, those who responded to this survey may well come from a different mix of magazines or demographics than respondents to prior surveys. Comparisons are thus best made not on the broad averages, but on the more detailed breakdowns by magazine size, respondents' experience, and the like.

Circulation director

Circulation director, or top circulation executive: Plans, directs and coordinates circulation marketing efforts. Directly responsible for budgeting and analyses of single-copy and all subscription programs, list rentals, and database planning and maintenance.

Average salaries (The number of respondents is in parentheses.)		**% increase from '88 to '89**
All respondents	$43,834 (240)	12.1%
Business	38,394 (116)	13.6
Consumer	49,097 (118)	10.5
Top one-third	$68,949 (80)	
Middle one-third	38,558 (80)	
Bottom one-third	23,995 (80)	

	Average	Average business	Average consumer
By region:			
Northeast	$50,072 (107)	$43,111 (45)	$55,572 (58)
South Atlantic	37,223 (40)	36,995 (20)	38,184 (19)
Central	36,740 (53)	34,482 (31)	39,204 (21)
Western	43,162 (39)	35,245 (20)	51,495 (19)
By sex:			
Male	$51,927 (96)	$45,856 (43)	$57,454 (50)
Female	38,494 (143)	34,048 (72)	42,951 (68)
By age:			
29 or less	$29,671 (57)	$27,924 (29)	$31,480 (28)
30-39	47,804 (99)	39,788 (42)	54,821 (53)
40-49	50,128 (51)	41,696 (22)	56,578 (28)
50 or more	47,695 (32)	45,891 (23)	51,092 (8)
Eligible for bonus incentive:			
Yes	$48,606 (129)	$41,687 (52)	$56,024 (63)
No	38,288 (111)	34,613 (54)	41,161 (55)
By years in circulation:			
Up to 3	$28,976 (63)	$28,261 (33)	$28,836 (28)
4-10	44,317 (118)	39,211 (55)	48,903 (59)
11-20	61,457 (41)	50,503 (16)	68,468 (25)
More than 20	52,133 (15)	46,045 (11)	68,875 (4)
By employees supervised:			
None	$27,285 (25)	$25,962 (13)	$28,718 (12)
One-2	36,671 (77)	33,942 (28)	38,697 (47)
3-10	45,299 (102)	37,595 (54)	54,278 (46)
More than 10	67,397 (35)	54,081 (21)	91,517 (12)
Responsible for:			
One magazine	$37,612 (99)	$33,929 (40)	$40,721 (56)
More than one	48,203 (141)	40,744 (76)	56,661 (62)
By circulation:†			
Up to 19,999	$28,648 (32)	$31,867 (19)	$23,313 (12)
20,000-49,999	30,247 (45)	30,724 (28)	25,204 (14)
50,000-99,999	37,826 (54)	38,267 (36)	36,944 (18)
100,000-499,999	48,631 (76)	49,212 (30)	48,320 (44)
500,000 or more	76,894 (31)	37,000 (2)	79,645 (29)
By frequency:†			
Weekly/biweekly	$48,594 (46)	$40,429 (28)	$62,656 (15)
Monthly	43,454 (147)	37,499 (73)	49,609 (72)
Other	40,362 (47)	38,953 (15)	41,346 (31)
By circulation type:†			
Paid	$45,887 (152)	$40,640 (42)	$48,429 (107)
Nonpaid	39,602 (87)	37,120 (74)	51,152 (10)

†Refers to the largest circulation magazine on which respondent works.

repeated among managers, the differences are not as sizable.

Managers on consumer magazines earn $29,298 versus $26,549 for their business counterparts, a differential of 10 percent. Bonus payments lift this gap to 32 percent, with managers on consumer magazines who receive a bonus earning $36,620 versus $27,749 for those on business publications.

As is true for their bosses, these differentials are almost entirely accounted for by the pay levels on large consumer magazines. In the breakdown of salary by circulation size, managers on business publications earn more than their consumer counterparts in every size category—except the over-500,000 circulation category, where the consumer average of $44,433 is sharply higher than for any other category.

"Response rates and successful marketing plans occur regardless of sex, color or creed. That's why I believe women have achieved so much in circulation and will dominate this area of publishing."

—Circulation director in the Northeast working on three magazines, earning salary and bonus in the low forties.

Another strong indicator of pay levels is size of the circulation department. Managers with large supervisory responsibilities, managing departments of 10 or more people, earn more than twice as much in salary as those who manage no one, and pay increases steadily between these extremes. Almost two-thirds of the managers are responsible for more than one magazine; and their salary is $6,000 (25 percent) higher than salaries of those who work on only one.

Managers on weeklies and biweeklies outpace managers on monthlies by about $4,500 (16 percent). And those who work on paid circulation publications earn about $3,000 more than those on nonpaid ones. However, among business publications, salaries of managers on nonpaid circulation magazines is slightly higher than for those

"I'm learning as much as I can about a profession as strange as circulation. Were there classes in school I could have taken for this?"

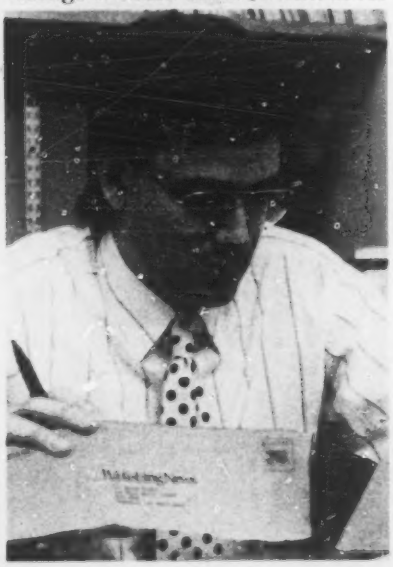
—Circulation manager with less than a year's experience, earning salary and bonus of roughly $15,000.

on paid publications.

Pay levels in the Northeast for managers lead the nation—but not by as large a margin as they did for directors. The $31,653 average salary and $35,718 average total compensation in the Northeast are, in both cases, about $7,500 higher than those in the lowest paid area—the Central.

Female circulation managers have a long way to go to catch up to the pay levels of men. Although women represent 80 percent of the sample, their salary is only 74 percent of their male counterparts' salary; and among consumer publications it is only 70 percent. They fall even further behind on a total compensation basis, where women's salary plus bonus is 65 percent of men's.

The respondents to this survey are relatively young and inexperienced—41 percent of the managers are under 30 and almost half have been in the circulation business less than four years. Yet age does not appear to have a strong impact on the salary of circulation managers. Those under 30 earn about



Circulation manager

Circulation manager: Generally the second level of management in the circulation department. Administers circulation programs for subscriptions and single-copy sales. Handles all facets of circulation for one or more titles.

Average salaries (The number of respondents is in parentheses.)		**% increase from '88 to '89**
All respondents	$27,481 (220)	14.4%
Business	26,549 (118)	13.5
Consumer	29,298 (92)	16.2
Top one-third	$40,366 (73)	
Middle one-third	25,024 (73)	
Bottom one-third	17,194 (74)	

	Average	Average business	Average consumer
By region:			
Northeast	$31,653 (72)	$30,681 (36)	$33,243 (34)
South Atlantic	26,919 (31)	26,041 (22)	30,138 (8)
Central	24,148 (66)	23,673 (39)	25,789 (21)
Western	26,033 (47)	24,006 (18)	27,409 (28)
By sex:			
Male	$34,813 (43)	$31,647 (21)	$37,836 (22)
Female	25,757 (175)	25,509 (96)	26,681 (69)
By age:			
29 or less	$23,926 (90)	$23,438 (50)	$24,836 (37)
30-39	30,399 (71)	28,896 (37)	32,035 (34)
40-49	29,031 (36)	28,270 (21)	31,538 (12)
50 or more	29,958 (23)	29,808 (10)	34,311 (9)
Eligible for bonus incentive:			
Yes	$28,838 (77)	$25,941 (45)	$33,327 (31)
No	26,751 (143)	26,924 (73)	27,250 (61)
By years in circulation:			
Up to 3	$23,529 (105)	$23,795 (58)	$23,299 (45)
4-10	29,595 (79)	26,955 (39)	33,368 (35)
11-20	32,103 (22)	30,479 (14)	38,151 (7)
More than 20	34,951 (11)	35,640 (5)	40,500 (4)
By employees supervised:			
None	$21,207 (60)	$20,362 (33)	$21,859 (25)
One-2	27,711 (94)	27,140 (49)	29,184 (41)
3-10	31,026 (57)	28,459 (28)	35,454 (25)
More than 10	44,464 (9)	41,772 (8)	66,000 (1)
Responsible for:			
One magazine	$23,624 (74)	$22,991 (33)	$24,140 (39)
More than one	29,501 (145)	28,025 (84)	33,093 (53)
By circulation:†			
Up to 19,999	$19,761 (36)	$20,377 (24)	$19,075 (11)
20,000-49,999	22,526 (65)	22,893 (44)	21,945 (20)
50,000-99,999	30,392 (45)	33,967 (27)	25,989 (13)
100,000-499,999	30,553 (53)	31,310 (22)	30,552 (29)
500,000 or more	43,015 (20)	30,500 (1)	44,433 (18)
By frequency:†			
Weekly/biweekly	$31,845 (37)	$31,936 (25)	$31,655 (12)
Monthly	27,383 (141)	25,616 (77)	30,944 (54)
Other	23,916 (41)	22,400 (15)	24,790 (26)
By circulation type:†			
Paid	$28,926 (119)	$26,332 (36)	$30,837 (76)
Nonpaid	25,845 (97)	26,543 (80)	22,607 (14)

†Refers to the largest circulation magazine for which respondent works.

Average annual total compensation*

	Circulation director		Circulation manager	
Received bonus incentive:				
Yes	$ 55,909	(118)	$31,355	(67)
No	38,288	(111)	26,751	(143)
By magazine type:				
Consumer	$ 68,820	(55)	$36,620	(28)
Business	44,571	(59)	27,749	(38)
By region:				
Northeast	$ 65,866	(56)	$35,718	(25)
South Atlantic	40,312	(22)	28,742	(6)
Central	45,358	(22)	28,177	(23)
Western	56,894	(18)	29,896	(12)
By sex:				
Male	$ 64,467	(55)	$43,281	(14)
Female	48,679	(62)	28,350	(52)
By age:				
29 or less	$ 35,600	(27)	$26,665	(33)
30-39	63,611	(51)	33,907	(24)
40-49	61,610	(25)	42,657	(7)
50 or more	59,828	(14)	36,167	(3)
By years in circulation:				
Up to 3	$ 35,630	(28)	$25,348	(32)
4-10	57,860	(58)	35,835	(23)
11-20	75,172	(23)	37,560	(8)
More than 20	54,783	(6)	41,250	(4)
By employees supervised:				
None	$ 37,659	(8)	$21,679	(14)
One-2	46,726	(35)	33,273	(32)
3-10	54,010	(55)	36,130	(17)
More than 10	87,003	(19)	29,588	(4)
Responsible for:				
One magazine	$ 50,037	(42)	$26,249	(20)
More than one	59,155	(76)	33,529	(47)
By circulation:†				
Up to 19,999	$ 38,567	(12)	$21,742	(10)
20,000-49,999	33,918	(24)	24,887	(22)
50,000-99,999	45,214	(25)	31,002	(13)
100,000-499,999	59,973	(39)	37,937	(15)
500,000 or more	105,071	(17)	51,971	(7)
By frequency:†				
Weekly/biweekly	$ 59,374	(27)	$33,463	(9)
Monthly	55,664	(76)	33,117	(45)
Other	50,918	(15)	23,800	(13)
By circulation type:†				
Paid	$ 60,556	(77)	$35,723	(33)
Nonpaid	45,363	(40)	26,471	(33)

*The number of respondents is in parentheses; includes only individuals who reported receiving both salary and bonus.
†Refers to the largest circulation magazine on which respondent works.

Average annual bonus/incentive*

	Circulation director		Circulation manager	
Average bonus/incentive:	$ 6,784	(118)	$2,609	(67)
By magazine type:				
Consumer	$ 9,602	(55)	$2,579	(28)
Business	4,167	(59)	2,674	(38)
By region:				
Northeast	$ 8,444	(56)	$2,362	(25)
South Atlantic	4,543	(22)	5,725	(6)
Central	3,266	(22)	2,204	(23)
Western	8,656	(18)	2,508	(12)
By sex:				
Male	$ 7,802	(55)	$5,066	(14)
Female	5,942	(62)	1,973	(52)
By age:				
29 or less	$ 2,933	(27)	$1,822	(33)
30-39	8,662	(51)	2,057	(24)
40-49	8,358	(25)	8,257	(7)
50 or more	4,998	(14)	2,500	(3)
By years in circulation:				
Up to 3	$ 3,452	(28)	$1,894	(32)
4-10	7,426	(58)	2,530	(23)
11-20	9,948	(23)	2,310	(8)
More than 20	3,617	(6)	9,375	(4)
By employees supervised:				
None	$ 3,906	(8)	$ 761	(14)
One-2	5,299	(35)	2,270	(32)
3-10	6,271	(55)	4,950	(17)
More than 10	12,466	(19)	1,838	(4)
Responsible for:				
One magazine	$ 5,854	(42)	$1,521	(20)
More than one	7,298	(76)	3,072	(47)
By circulation:†				
Up to 19,999	$ 3,546	(12)	$1,530	(10)
20,000-49,999	2,688	(24)	3,151	(22)
50,000-99,999	5,058	(25)	1,425	(13)
100,000-499,999	6,384	(39)	3,023	(15)
500,000 or more	18,412	(17)	3,757	(7)
By frequency:†				
Weekly/biweekly	$ 7,800	(27)	$4,867	(9)
Monthly	6,820	(76)	2,592	(45)
Other	4,771	(15)	1,104	(13)
By circulation type:†				
Paid	$ 7,521	(77)	$3,456	(33)
Nonpaid	5,033	(40)	1,477	(33)

*The number of respondents is in parentheses; includes only individuals who reported receiving both salary and bonus.
†Refers to the largest circulation magazine on which respondent works.

Range of average bonus/incentive and total compensation*

Average bonus/incentive

Circulation director:

Top one-third	$14,995 (39)
Middle one-third	4,102 (39)
Bottom one-third	1,393 (40)

Circulation manager:

Top one-third	$ 6,078 (22)
Middle one-third	1,441 (22)
Bottom one-third	408 (23)

Average compensation

Circulation director:

Top one-third	$90,212 (39)
Middle one-third	47,969 (39)
Bottom one-third	30,206 (40)

Circulation manager:

Top one-third	$46,593 (22)
Middle one-third	28,405 (22)
Bottom one-third	19,603 (23)

*Includes only individuals who reported receiving both salary and bonus; the number of respondents is in parentheses.

$24,000. All the other age cohorts are tightly bunched—and surprisingly, those between 30 and 39 have the highest average, at about $30,400. Experience has a somewhat stronger effect, with salary rising from $23,529 for those in the business less than four years, to $34,951 for those with 20 or more years' seniority.

Bonus/incentive payments play a much smaller role in pay practices among managers than they do for directors. Only 35 percent said they were eligible for a bonus; and only 32 percent receive one. The salary of bonus-eligible managers is $2,000 (8 percent) more than for those who aren't eligible; and the total compensation of those receiving a bonus—at $31,355—is $4,600 (17 percent) more than those who didn't earn a bonus.

Highs and lows

There are clearly wide differences in the pay of circulation directors and managers (as there are for most groups of professionals), based on factors such as the nature and size of the magazine, regional differences and demographics—as well as profitability and the publisher's compensation philosophy and attitude toward incentives.

Nowhere are those differences more evident than in comparing the highest and lowest paid in each category. For example, the salary of the highest paid one-third of circulation directors is $69,000—three times as much as that of the lowest paid one-third. Total compensation of the highest paid one-third who receive a bonus jumps to $90,000, again three times that of the lowest paid one-third. Clearly, top circulation directors—especially in bonus paying companies—can earn sizable incomes.

Among circulation managers, on the other hand, salary for the top one-third is $40,400, 2.3 times that of the lowest paid one-third. But total compensation of the top one-third who receive a bonus moves up only to $46,600, a little over half the comparable figure for directors. There thus appears to be much less leverage in the incentive practices applied to managers than for their bosses.

At the bottom end of the pay range, on the other hand, practices seem much more similar. The lowest paid one-third of directors makes $24,000 in salary, only 40 percent more than the $17,200 paid to the lowest paid managers. This increases to $30,200 in total compensation for the lowest paid directors, 54 percent more than the comparable figure for managers.

It is impossible to predict what direction pay practices will take among circulation professionals. But it would appear that, as publishers increasingly attempt to reward highly those who perform the best and contribute the most to the publication, they will increasingly turn to more leveraged incentive programs to help them do so.□

Methodology

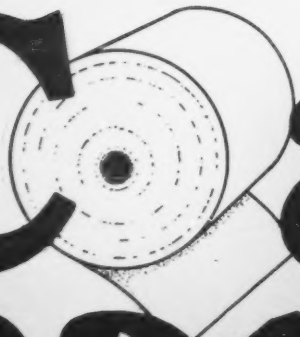
Five hundred twelve of the 1,070 circulation professionals who received questionnaires responded to FOLIO:'s fifth annual circulation salary survey, resulting in an overall response rate of 47.8 percent. Of the total responses, 458 (42.8 percent) contained sufficient information to be used for tabulation. The survey was conducted through two mailing efforts in June. Participants were asked to supply data reflecting 1989 earnings; if exact figures were unavailable, they were requested to estimate.

In some cases, respondents did not give an exact bonus or incentive figure, but gave an expected range instead. Here the mean was used for tabulation. For example, if a circulation professional indicated that his or her annual bonus/incentive would be between $4,000 and $6,000, the arithmetic mean of $5,000 was used as that respondent's expected bonus/incentive for the year.

Fifty-five percent of the mailing was sent to circulation directors and 45 percent to circulation managers. The response rate from managers was somewhat higher than from directors. Each category was also approximately evenly divided between consumer and business publications. About two-thirds of the sample was drawn from magazines with under 100,000 in circulation, and one-third from magazines with over 100,000 in circulation.

A job description has been included with each compensation chart. These descriptions were printed on the questionnaire, and respondents were asked to choose the description that most accurately reflected their duties.

Coated paper



A look at developing trends in the supply/demand balance of coated papers, and what those changes mean to publishers

BY ARTHUR C. VEVERKA

Every publisher knows the importance paper plays in establishing budgets and planning production. Increases and decreases in paper supply—and, consequently, price—have significant impact on the health of a magazine's bottom line. With that in mind, this analysis of the coated paper supply situation as it is now and as we project it to be in the months ahead is offered as a guide to publishers planning for their paper needs.

Coated papers imported into the United States increased considerably in 1988, confirming that coated markets have truly become international in flavor. The growth rate recorded by imports was 18.4 percent on an absolute increase in tonnage of 124,000 tons. This gain was led by coated free sheet imports, which increased by 32.5 percent to 257,000 tons. Imports of coated groundwood, coming off the spectacular growth of almost 56 percent from 1986 to 1987, rose to 541,000 tons—a further gain of 12.7 percent in 1988.

Why did imports surge?

With the tonnage growth experienced in 1988, imports now hold 11.6 percent and 7.6 percent shares of the U.S. coated groundwood and free sheet markets, respectively. As a result, there are two questions facing both domestic suppliers and consumers—in particular, publishers:

- What has caused the surge in imports?
- What do developing trends mean to magazine publishers?

In this article we will attempt to answer the above questions, look at other trends affecting demand for coated papers, and review the supply/demand outlook—especially the implications for users of the grades. Next month we will focus on the outlook for uncoated printing papers.

Demand expected to slow

The dramatic and rapid increase in imported coated papers over the last two years has contributed to a good supply situation from a user's point of view. This increase was a direct result of the availability of higher quality coated free sheet paper from offshore sources and Canadian coated groundwood paper.

However, we believe that the period of rapid growth for imports of coated papers is coming to a close. There are several factors that lead us to this conclusion. Primary among them is our belief that there will be a near-term slow down in the U.S. economy. This will, in turn, slow paper demand and will cause prices to soften—something that is already beginning to occur. Given the relative weakness of the U.S. dollar, declines in paper prices will make the market in the United States less attractive

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Arthur C. Veverka is president of Jaakko Poyry Consulting, the Briarcliff Manor, New York-based subsidiary of an international consulting and engineering firm specializing in forest products, printing and print media. Veverka had been vice president and internal consultant for Champion International, and vice president, corporate planning for St. Regis Corporation.

Coated groundwood: Supply/demand profile (1987-1990)—United States and Canada

(000 SHORT TONS)

		FORECAST		
	1987	1988	1989	1990
United States				
U.S. SHIPMENTS:	3,781	4,159	4,225	4,275
- DOMESTIC	3,743	4,113	4,170	4,205
- EXPORT/CANADA	35	41	45	50
- EXPORT/OTHER	4	5	10	20
U.S. IMPORTS:	481	541	510	525
- FROM CANADA	186	211	210	250
- FROM ALL OTHER	294	330	300	275
CONSUMPT/DEMAND	4,224	4,654	4,680	4,730
U.S. CAPACITY	4,132	4,376	4,478	4,659
U.S. OPER. RATE (%)	91.5%	95.0%	94.4%	91.8%
Canada				
CAN. SHIPMENTS:	331	365	415	500
- DOMESTIC	145	154	195	230
- EXPORT/U.S.	186	211	210	250
- EXPORT/OTHER	0	0	10	20
CAN. IMPORTS:	50	56	55	60
- FROM U.S.	35	41	45	50
- FROM ALL OTHER	15	15	10	10
CONSUMPT/DEMAND	195	210	250	290
CAN. CAPACITY	364	380	430	573
CAN. OPER. RATE (%)	90.9%	96.1%	96.5%	87.3%

Source: Jaakko Poyry Consulting

to offshore suppliers.

Another major factor is the change occurring in the domestic supply situation, in terms of both quantity and quality.

However, as we will see later, the supply picture over the next several years is good. In addition, U.S. mills have gradually improved the quality of their coated sheets in direct response to the higher quality imports. We foresee this quality trend continuing. All of this translates into less demand for imported papers.

Domestic demand

Magazine consumption is represented by consumer and business magazines, trade journals, comic magazines, Sunday newspaper magazines and TV magazines. As a group, they consumed over 4 million tons in 1988, and are expected to consume about 4.2 million tons in 1989.

Unless the dollar keeps rising, the period of rapid, dramatic growth for coated paper imports will be drawing to a close.

Coated paper continues to be the paper of choice for magazines. The percentage of coated paper used in magazines was 74 percent in 1985, and is relatively unchanged at the current level of 73 percent. We believe that, as additional coated capacity comes on line, coated paper will increase its market share marginally because of magazines' demand to upgrade for high-quality, process-color work.

Catalogs and direct mail still also represent major end-uses for coated paper.

Actual 1988 and projected 1989 consumption is 2.9 million tons and 3.1 million tons, respectively. These tonnages translate into approximately 51 percent of the total printing papers used in these end-use applications.

As with magazines, the trend is toward the increased use of coated paper as better color printing is demanded. In 1983, the percentage of coated paper used for catalogs and di-

Key definitions: Understanding paper grades

The U.S. magazine paper market is supplied by three major paper grades. Close to 85 percent of all papers used by magazines (and the focus of this article) can be classified as coated groundwood, coated free sheet or supercalendered (SC). (The remaining 15 percent of all magazine publication printing papers are newsprint, uncoated groundwood MF specialties, or uncoated free sheet grades.) Within these three major classifications there are numerous emerging subsegments.

Additionally, depending on whether your paper is sourced from the United States, Canada or other offshore locations, there are several semantic and quantitative differences. (Most offshore-produced papers are sold on a metric basis, for example, and are generally quoted on a grams-per-square-meter basis.) The most important grade segments serving the magazine market follow:

Coated groundwood

These are expected to represent almost 60 percent of all magazine printing papers consumed during 1989. Historically, the term "coated groundwood" was synonymous with the term "coated #5." However, the coated groundwood magazine category now encompasses over 250,000 tons of coated #4 (up from 200,000 tons in the previous year.)

Papers bearing the groundwood designation contain a minimum of 10 percent (or more) of groundwood and/or mechanical-type pulp in their furnish. Typical coated groundwood sheets contain close to 50 percent to 60 percent groundwood.

For those not familiar with industry classifications, the American Paper Institute (API) divided coated papers into five major segments based on various brightness levels, regardless of groundwood content. Coated #5 grades generally represent those coated grades with brightness levels of less than 72.9. Coated #4 grades possess brightness ranges from 73 through 78.9. Coated #3 grades and higher range from 79 and higher.

Lightly treated coated (LTC)

These groundwood printing papers, which are sometimes known as pigmented coated papers, have also emerged as a new substrate for magazine publishing. These imported grades are matte finished with printed gloss equivalent to coated #5 grades. More important, their brightness levels extend up to the 74-75 level.

API definitions for coated papers relate to coated glossy grades. By virtue of the matte finish, new LTC grades have provided industry classifiers with a struggle in classification.

Coated free sheet

These will represent close to 15 percent of all magazine printing papers during 1989. Coated free sheet encompasses the complete range of coated grades, from coated #1 through coated #5. The latter segment (coated free sheet #5), which historically has been exclusively a coated groundwood market segment, currently accounts for close to 5 percent of all coated free sheet printing paper consumption.

Supercalendered

During 1989, supercalendered (SC) grades should represent close to 12 percent (up from 7 percent in the previous year) of all magazine publishing papers. One of the most important points in reviewing the magazine paper spectrum is the increasing quality available from SC paper producers. Because of the advancing capabilities of SC paper grades, magazine publishers using coated #5 have been forced to look at the emerging coated #4 grade category as a means of distinguishing their publications from the average.

The overall quality of SC grades is advancing so quickly that, within a few years, even the most sophisticated paper buyer may not be able to tell the difference in grade classification. Even today, most consumers would rarely be able to detect, within certain basis weights on a highly ink covered sheet, certain coated #5 grades from some of the better SC finished grades.

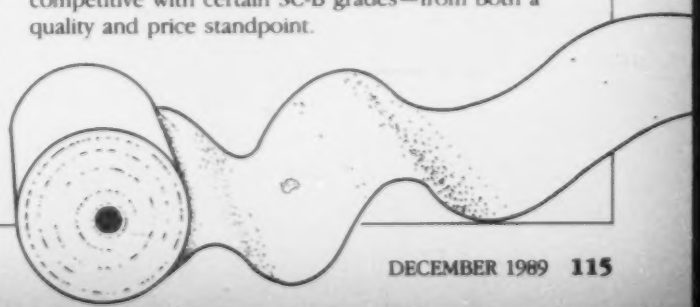
Within the SC spectrum, there are three identifiable segments and one new segment emerging for magazine publishers.

1. Premium SC-A grades are just emerging as a new segment, and represent a better formed paper grade that is surface sized for improved heatset web-offset printing. Brightness levels approach coated #5 grade levels.

2. SC-A grades are typically defined as being highly filled (that is, they contain a high clay content, very similar to coated paper), and are highly supered, thus providing a somewhat smooth surface for better printability. Generally, brightness levels are around the 68-70 level, also very similar to coated #5.

3. SC-B grades contain somewhat less filer and are not supered to the levels of SC-A grades. Brightness tends to be around the 65-66 level.

4. SC-C grades contain no filler, but are highly supered. The resulting product has proved to be very competitive with certain SC-B grades—from both a quality and price standpoint.



Coated free sheet: Supply/demand profile (1987-1990)—United States and Canada

(000 SHORT TONS)

			FORECAST	
	1987	1988	1989	1990
United States				
U.S. SHIPMENTS:	3,078	3,200	3,450	3,585
- DOMESTIC	3,016	3,149	3,390	3,525
- EXPORT/CANADA	42	35	40	40
- EXPORT/OTHER	20	16	20	20
U.S. IMPORTS:	194	257	230	230
- FROM CANADA	23	28	25	30
- FROM ALL OTHER	171	229	205	200
CONSUMPT/DEMAND	3,210	3,405	3,620	3,755
U.S. CAPACITY	3,229	3,412	3,607	3,890
U.S. OPER. RATE (%)	95.3%	93.8%	95.6%	92.2%
Canada				
CAN. SHIPMENTS:	162	158	160	165
- DOMESTIC	125	116	120	120
- EXPORT/U.S.	23	28	25	30
- EXPORT/OTHER	13	15	15	15
CAN. IMPORTS:	95	97	105	105
- FROM U.S.	42	35	40	40
- FROM ALL OTHER	53	62	65	65
CONSUMPT/DEMAND	220	213	225	225
CAN. CAPACITY (1)	154	143	160	182
CAN. OPER. RATE (%)	104.9%	110.7%	100.0%	90.7%

(1) CANADIAN CAPACITY INCLUDES MACHINE COATERS THAT SWING BETWEEN UNCOATED AND COATED FREE SHEET

Source: Jaakko Poyry Consulting

rect mail stood at 54 percent.

Future consumption of coated paper will be affected by a variety of factors—both positive and negative—over the next few years. These include the following:

• Postal rate increases in 1988 hit magazine publishers hard (second class mail), although less than that experienced by catalogers and users of direct mail (third class). As a result, publishers have indicated a renewed interest in lower basis weight paper, particularly if there is little, if any, tradeoff in print quality.

Publishers have shown a renewed interest in lower basis weight paper, especially if there is little tradeoff in print quality.

• Coated #5 groundwood papers are currently being pressured from both sides of the grade spectrum. Publishers and printers interested in improved quality are moving up to coated #4 (although some of this may still be groundwood) while cost-conscious purchasers are looking to the SC (supercalendered) grades, particularly as availability and quality improve.

• Heatset web-offset printing is likely to continue to make inroads into rotogravure's printing process share. This is due to two factors: shorter runs caused by an increase in the number of versions printed (to reach and influence targeted market segments better), and the ability to produce high quality, four-color printing on lighter weight papers. In the long run, offset grades of paper will see increases in demand compared with gravure paper.

• A moderately better economic climate, which led to gradual improvements in national marketers' advertising budgets, has improved the outlook for advertising expenditures. New forecasts by Bob Coen of McCann-Erickson indicate that advertising growth in 1989 will increase at a 6.9 percent rate, versus his December forecast of 6.1 percent. Advertising expenditures in magazines and direct mail are expected to grow at a faster rate—10 percent. Because of con-

North American coated groundwood capacity increases

YEAR	COMPANY	LOCATION	TONNAGE (short tons)	COMMENTS
1989	Blandin	Grand Rapids, MI	170,000	Net – #5
	Champion	Bucksport, ME	40,000	Speed-ups – #5
	Repap	New Castle, N.B.	240,000	New machine coater – #4 & #5
1991	Boise Cascade	Rumford, ME	220,000	New machine coater – #4 & #5 (possible partially ctd free #4)
1992	Great Northern/Nekoosa	E.Millinocket/Millinocket, ME	180,000	New coater – #5
1993–95		British Columbia	200,000	New mills planned in Britannia Beach and Prince Rupert – ctd #5
TOTAL COATED GROUNDWOOD EXPANSION			1,050,000	short tons
COMPOUNDED ANNUAL CAPACITY GROWTH 1988–1992			5.1%	

Source: API & Jaakko Poyry Consulting

North American coated free sheet capacity increases

YEAR	COMPANY	LOCATION	TONNAGE (short tons)	COMMENTS
1988	International Paper	Northern Division	50,000	Grade change – #3 & #4
	Midtec	Kimberly, WI	100,000	Net – #3 & #4
	Potlatch	Cloquet, MN	90,000	Grade change – #1 & #2
	S.D. Warren	Muskegan, MI	5–50,000	Speed-ups – #3
	Westvaco	Luke, MD	30,000	Speed-ups – #1 & #2
1989	Island Paper	New Westminister, B.C.	75,000	New off machine coater – #3
1990	Champion	Quinnesec, MI	240,000	New machine coater – #3 & #4
	S.D. Warren	Muskegan, MI	60,000	Rebuild – #2 & #3
	S.D. Warren	Somerset, ME	225,000	New machine coater – #3 & #4
	Westvaco	Wickliffe, KY	125,000	New off machine coater – #2 & #3
1991	Consolidated Paper	Wisconsin Rapids, WI	220,000	New machine coater – #3 & #4
	Simpson	Pasadena, TX	30,000	PM 24 rebuild
TOTAL COATED FREE SHEET EXPANSION			1,270,000	short tons
COMPOUNDED ANNUAL CAPACITY GROWTH 1988–1992			7.9%	

Source : API & Jaakko Poyry Consulting

servation measures, inventory adjustments and tighter than normal news holes, this has not yet been reflected in consumption of paper.

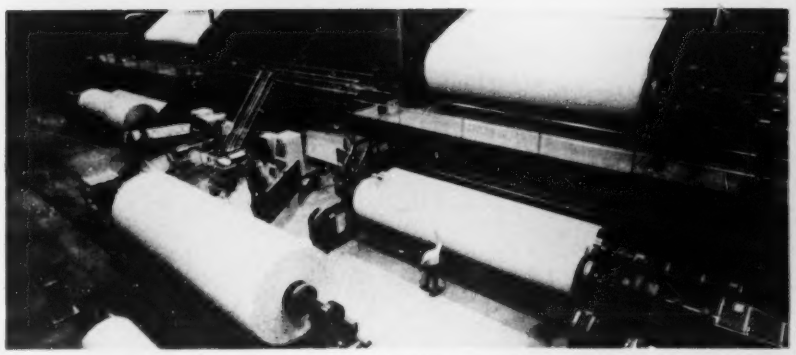
• Environmental pressure and, more specifically, legislated requirements will cause changes in traditional demand patterns as suppliers experience varying degrees of success in incorporating the required amounts of recycled fiber in their products. This is an emerging factor that has longer term implications. Currently, we are unable to judge its long-term impact, although short-term it will be minimal.

• Magazine inserts continue to grow in popularity. This is adversely affecting the demand for traditional magazine paper grades. Driven by a desire to achieve a greater impact and supported by the available technical ability for automated insertions into magazines during binding, advertisers are looking favorably on this method of getting their messages across. The growth, however, is coming primarily from consumer magazines, as specialty business publications traditionally have embraced this form of advertising.

A significant portion of the tonnage for this application is coated #4 grades and higher, used to achieve superior graphic reproductions and differentia-

tion compared with ROP pages. However, as magazines upgrade their own paper or as suppliers improve paper quality, it is distinctly possible that advertisers could switch from inserts to ROP because of cost pressures. The tradeoff between cost and effectiveness needs to be carefully calculated. Again, we believe this will be a long-term rather than short-term trend.

• LTC (lightly treated coated) or pigmentized groundwood paper has not had a significant impact on the traditional coated grades. All the tonnage currently used (30,000 to 35,000 tons in 1988) is imported and supplies are limited. The difficulties producers have encountered in producing satisfactory quality on a consistent basis, the introduction of premium grades of SC paper (which we will talk more about next month), and the decreasing coated #5 prices will all limit the growth of this grade for the next several years.



Supply outlook

From a purchaser's perspective, the supply picture for coated papers can only look good. North American (U.S. and Canadian) supplies of coated groundwood paper will increase by close to 1 MM tons through 1992. This amounts to almost a 22 percent increase in four years, or close to a 5 percent compound annual growth rate.

Similarly, overseas coated groundwood capacity will expand by slightly over 1 MM tons. Most of this tonnage will be coming from Europe, and is a direct result of the double digit rates of

European coated free sheet capacity changes

YEAR	COMPANY	LOCATION	TONNAGE (short tons)	COMMENTS
1989	Kymmene Corp.	Kuusankoski, Finland	50,000	Coater rebuild
	Kymmene Corp.	Kuusankoski, Finland	(72,000)	Coater 1 shutdown
	Kymmene Corp.	Kuusankoski, Finland	45,000	PM 7 rebuild
	Stora AB	Papyrys,Molndal Sweden	12,000	PM 4 rebuild
	Arjomari S.A.	Besse-sur-Braye, France	22,000	PM 3 rebuild
	Feldmuhle AG	Kabel, Germany	110,000	PM 3 conversion
	Pap.fabrik Scheufelen GmbH	Lenningen, Germany	45,000	PM 6 expansion
	Zanders Feinpapiere AG	Bergisch Gladbach, Germany	145,000	Rebuild & coaters
	Zanders Feinpapiere AG	Bergisch Gladbach, Germany	(35,000)	Coater shutdown
1990	Metsa-Serla Oy	Kangas,Jyvaskyla Finland	70,000	New coater
	UK Paper Ltd.	Sittingbourne, UK	85,000	New PM
	UK Paper Ltd.	Sittingbourne, UK	11,000	PM 17 rebuild
1991	Veitsiluoto Oy	Oulu,Nuottasari Finland	220,000	Decided
	Stora AB	Papyrys,Grycksbo Sweden	50,000	1988-91 expansion
	Papeteries de Condat S.A.	Condat-le-Lardin, France	110,000	new PM
	Nordland Papier GmbH	Dorpen, Germany	110,000	New PM (also unctd)
	Schwabische Zellstoff AG	Ehingen, Germany	220,000	Coated & uncoated
	Pap.fabrik Biberist	Biberist, Switzerland	155,000	New PM
1992	La Cellulose des Ardennes	Harnoncourt, Belgium	220,000	New mill
	Guerimand Voiron	Voreppe, France	16,500	CCP expansion
	Feldmuhle AG	Kabel, Germany	(110,000)	Grade conversion
	Feldmuhle AG	Uetersen, Germany	275,000	new PM
	Zanders Feinpapiere AG	Bergisch Gladbach, Germany	175,000	new PM
1993-95	Papierfabrik August Koegler AG	Kehl, Germany	45,000	Planned CCP expansion
	Cartiere Sudeuropa SpA	Serravalle Sesia, Italy	(50,000)	Planned shutdowns
	Brigl & Begmeister	Niklasdorf, Austria	110,000	Planned new PM
TOTAL EUROPEAN COATED FREE SHEET EXPANSION			2,034,500	short tons

Source: Jaako Poyry Consulting

Worldwide coated groundwood capacity changes*

YEAR	COMPANY	LOCATION	TONNAGE (short tons)	COMMENTS
1989	Metsa-Serla Oy	Kirkniemi, Finland	35,000	PM 2 rebuild LWC
	Oy Tampella Ab	Anjala, Finlan	165,000	PM 2 conversion
	Veitsiluoto Oy	Veitsiluoto,Kemi Finland	22,000	PM 1 rebuild
	Feldmuhle AG	Kabel, Germany	(100,000)	Grade conversion
	Caledonian Paper plc	Irvine, Scotland	220,000	New LWC PM
	Leykam-Murztaler AG	Bruck, Austria	150,000	New LWC PM
1990	Pap. Beghin Corbehem S.A.	Corbehem, France	270,000	New LWC PM
	Haindl Dapion GmbH	Walsum, Germany	220,000	New LWC PM
	Haindl Dapion GmbH	Walsum, Germany	(175,000)	PM 10 shut down
	Xin Hua Paper Mill	Jiang Men City, Shanghai	22,000	Planned LWC PM
1991	SCA Paper AAAB	Ortviken, Sweden	180,000	New LWC PM
	Papierfrabrik Biberist	Biberist, Switzerland	(35,000)	2 PM shutdowns
1992	Feldmuhle AG	Kabel, Germany	110,000	PM 3 conversion
1993-95	Saugbrugsforeningen	Halden, Norway	275,000	Planned LWC PM
	Cartiere Burgo SpA	Italy	220,000	New LWC PM
	Paper de Galicia	Spain	220,000	New LWC PM
	Kamskij tsell-bum.kombinat	Krasnokamsk, USSR	31,000	Planned PM 7 rebuild
TOTAL COATED GROUNDWOOD CAPACITY EXPANSION			1,830,000	short tons

*Except North America
Source : Jaakko Poyry Consulting

growth in demand experienced over the last several years. However, the demand in European markets is expected to slow down, leading to an excess supply situation. Normally, this excess would be targeted for the U.S. market—but for reasons stated earlier, we do not believe this will occur. If, on the other hand, the U.S. dollar strengthens appreciably, foreign suppliers will find the United States an attractive market. Thus, the import situation could be considerably different from what we are forecasting.

However, we believe operating rates in Europe for coated groundwood will drop below 90 percent in 1990 under any circumstance.

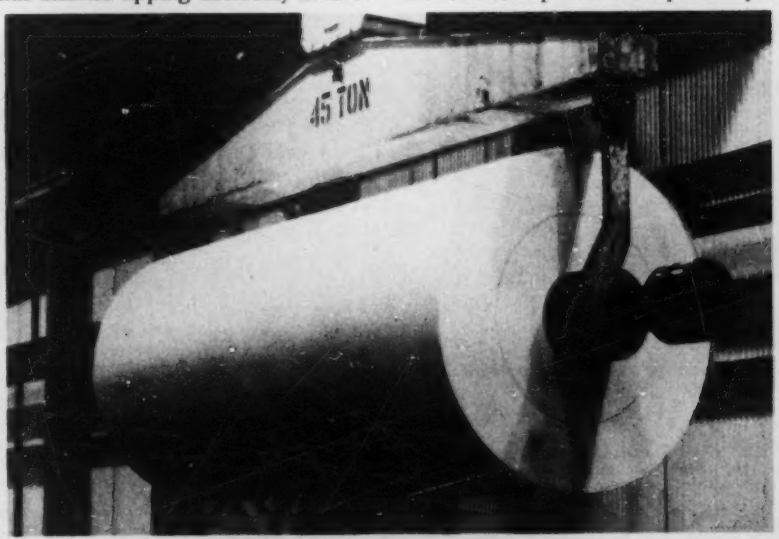
Planned capacity increases in coated free sheet are even more dramatic than for coated groundwood. Between 1989 and 1991, 975,000 tons will come on line in North America. Over a similar period, 1.3 million additional tons will become available in Europe, plus almost 400,000 tons in the Far East and Australia.

Given these kinds of planned and, for the most part, committed capacity increases in coated free sheet, operating rates throughout the world will be depressed at least through 1991, and possibly into 1992.

Supply/demand balance

The outlook for buyers of paper is never determined by either the supply or demand sides in isolation, but rather by the balance between the two. Our outlook for the 1989-1990 period has this balance tipping decidedly in favor of the buyers in terms of coated papers. A brief discussion of the two major coated paper grades follows:

1. *Coated groundwood*: The trend of users upgrading to coated groundwood from uncoated groundwood and newsprint, the growth in end-use markets, and the increasing availability of the paper resulted in a growth rate over the 1980-1988 period of 5.7 percent per



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annum. For the variety of reasons previously mentioned—the economy, quality upgrading and better SC grades—we expect the demand to be essentially flat in 1989 and advance by only a little over 1 percent in 1990.

With projected U.S. capacity increases of 2.3 percent and 4.0 percent in 1989 and 1990, respectively, operating rates will fall. However, we expect the severity of the fall to be softened by a decrease in imports.

The big story with imports is the expected rise of Canadian producers as a major source of imports into the United States. This will be at the expense of offshore suppliers. By 1991, we expect Canadian producers to be the major import supplier of coated groundwood papers.

2. *Coated Free sheet*: Consumption of this grade of paper from 1980 to 1988 can only be described as exceptionally strong. The growth rate has averaged 7.1 percent per year, but is expected to slow somewhat over the next two years. The primary reason will be the growth of the U.S. economy. Projected growth rates are 6.3 percent in 1989, but only 3.7 percent in 1990.

The factors fueling the growth of coated free sheet, namely upgrading from groundwood sheets, plus continu-

"A buyers' market will still exist in the short term, even if the economy experiences a true 'soft landing' and quick recovery."

al growth in current end-use markets, will continue to exist for the foreseeable future. However, given this favorable outlook, producers will add capacity in excess of the demand growth and cause sharp declines in operating rates. We believe that the operating rate in 1991 could be well below 90 percent, given the planned capacity increases.

Imports of coated free sheet are expected to decline slightly this year and then stabilize. Sourced primarily from offshore locations, these imports should stabilize at about 6 percent of the total U.S. demand. Of course, a dramatic strengthening of the U.S. dollar could render this forecast totally inaccurate, particularly in light of the likely excess supply situation.

For both grades of coated paper, we foresee a buyers' market through 1990, and possibly in 1991, if the U.S. does not experience a good economic recovery. Further, we believe a buyers' market will still exist in the short term, even if the economy experiences a true "soft landing" and quick recovery.

As mentioned before, a strengthening U.S. dollar could easily extend the buyers' market as the U.S. market becomes more attractive to offshore suppliers who, it appears, will have excess supplies.

Next month we will look at the situation facing buyers for uncoated papers. Some emphasis will be given to the emerging situation in SC (supercalendered) papers. Also a list of the suppliers of the major printing and magazine grades will be provided. □

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